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Press Release

National Bank of the Kyrgyz Republic keeps its policy rate unchanged at 13.00 percent

On January 29, 2024, the Board of the National Bank of the Kyrgyz Republic decided to keep the policy rate (key rate) unchanged at 13.00 percent. The decision becomes effective as of January 30, 2024.

Inflationary developments in the Kyrgyz Republic continue to slow down. In December 2023, the annual inflation rate was 7.3 percent, in January¹ 2024 – 5.9 percent. In the structure of inflation, there was steady slowdown in the commodity group of food products in annual terms from 15.8 percent in December 2022 to 1.9 percent in January 2024. At the same time, prices for non-food products and services demonstrate slower decline, reflecting to some extent the impact of administrative measures taken to revise tariff policies for certain types of goods and services.

The external environment conditions still remain the key factors for inflationary processes in the Kyrgyz Republic and their development indicates slower return of core inflation to the target rates. Price environment of the global food and commodity markets remains heterogeneous: the world prices for food products gradually decline, however the global oil and gold markets demonstrate price volatility. Under these conditions, further decrease of core inflation and inflation expectations of the population and economic entities will be the main priority in development and implementation of the monetary policy during 2024.

Economic activity of the Kyrgyz Republic remains high. At the end of 2023, the real GDP increased by 6.2 percent due to the most significant contribution of the services and processing sectors. Domestic demand remains increased as a result of growing consumer lending, rise of wages and increase of remittance inflows².

Conducted monetary policy determines strengthening of the population's savings behavior. There is expansion of the commercial banks' resource base. According to the results of 2023³, the volume of deposit base increased by 27.3 percent compared to 2022 and amounted to about KGS 431.3 billion. At the same time, the banking sector still shows active lending to the economy. In 2023⁴, the volume of the loan portfolio increased by 26.3 percent, up to KGS 257.8 billion. Generally, the key performance indicators of the financial and credit organizations indicate a sufficient margin of safety, which contributes to maintaining the stability of the banking system. The commercial banks have sufficient liquidity in the national currency. The domestic foreign exchange market remains relatively stable.

Taking into account the conditions for development of external and internal economic environment, as well as the dynamics of core inflation, which still remains at the level of two-digit indicators, the National Bank decided to keep its policy rate unchanged at 13.00 percent. The

¹ As of January 19, 2024.

² Available data for the first 11 months of 2023.

³ According to the preliminary data.

⁴ According to the preliminary data.

decision is aimed at further slowing down inflationary developments in the country and keeping the inflation rate within the target values of 5-7 percent in the medium term.

The National Bank continues to monitor the current situation in the external environment and in the domestic economy. In case of any risks, the National Bank does not exclude the possibility of making necessary adjustments to the current monetary policy.

The next regular meeting of the Board of the National Bank of the Kyrgyz Republic on the policy rate is scheduled for February 26, 2024.